CMRS interconnection authority is clearly warranted and necessary under the circumstances.

2. Preemption is Warranted Because the Interstate and Intrastate Components of CMRS are Indivisible

Preemption under the Louisiana PSC doctrine is also warranted here because CMRS offerings are inherently interstate in nature and thus inseverable from any intrastate aspects that may be associated with these services. As noted, Congress itself has acknowledged that "mobile services, . . . by their nature, operate without regard to state lines . . . .",[47] and it directed the Commission to take actions relative to LEC-CMRS interconnection to "advance a seamless national network."[48] Congress was therefore fully cognizant that mobile services, by definition, transcend state boundaries and, as such, do not possess the fixed attributes of intrastate telecommunications services.

The nature of CMRS does not respect state lines. Cell site coverage areas overlap state borders; subscribers begin calls in one state and continue them in another; networks designed for efficiency switch calls from multiple states through a single MTSO; subscribers may get billed in one state and use their services primarily in another. The LEC facilities used for interconnection have no ability to distinguish interstate-originated traffic from intrastate-originated traffic when received from a CMRS MTSO. Generally, the LEC facilities only know the location of the MTSO with which they are connected, they do not usually know whether the traffic being served by the MTSO originates within that state or elsewhere. As shown below, there are already many multistate MTSO

[47] House Report at 260.

[48] Id. (emphasis added).

markets and, with the establishment of multistate MTAs, such situations are clearly becoming the norm.

Some examples of multistate MTSO operations in AirTouch/New Vector markets include:

- In CMT Partners Kansas City system, a single MSA covers parts of both Missouri and Kansas, and the entire system of contiguous markets through the two states are served by a switching center in Kansas. As a result, a subscriber living in Kansas can make a call from Kansas City, Missouri where he works to a wireline customer in Topeka, Kansas. That call is routed on our network to our interconnection point at the wireline network in Topeka. The wireline network has no idea whether or not that call is intrastate or interstate.
- The AirTouch Sacramento market covers contiguous MSAs covering a wide area of Northern California and Northern Nevada. When a Sacramento subscriber on his way to Reno calls a wireline subscriber in Sacramento, the call is intrastate at the point of origination, but becomes an interstate call as the subscriber crosses into Nevada. The LEC's facilities cannot tell if or when such a call is intrastate or interstate.
- The following NewVector markets cover parts of more than one state:

Duluth MSA	Minnesota & Wisconsin
Fargo-Moorhead MSA	North Dakota/Minnesota
Grand Forks MSA	North Dakota/Minnesota
Spokane MSA/Idaho RSA 1	Washington/Idaho
Minneapolis MSA	Minnesota/Wisconsin

Omaha MSA	Nebraska/Iowa

Moreover, the Commission has routinely taken the inherently interstate nature of CMRS into account in establishing regulatory policies in this area. Perhaps the most compelling example was the Commission's establishment of MTA and BTA service areas for PCS -- areas based on trade patterns rather than state lines.[49] In this regard, the Commission also correctly notes that because CMRS service areas often cross state lines and CMRS customers are mobile, LEC-CMRS traffic that may appear to be intrastate may actually be interstate.[50] The integration of systems across state lines is even more prevalent with the larger MTAs of broadband PCS.

Thus, Commission preemption of state regulatory authority over LEC/CMRS interconnection is fully warranted under Louisiana PSC based upon the inseverability of interstate and intrastate CMRS components. This preemptive authority was only reinforced when Congress adopted Section 332 of the Act and vested the Commission with the exclusive responsibility to foster the growth and development of mobile services.

---

49 See Personal Communications Services, Second Report and Order, 8 FCC Rcd 7700, 7732 (1993)(". . . large PCS service areas also may facilitate regional and nationwide roaming; [and] allow licensees to tailor their systems to the natural geographic dimensions of PCS markets.") Even though cellular MSA and RSA service areas took state boundaries into account, for over a decade the Commission has been aware of and encouraged the practice of system integration by cellular carriers that resulted in service to broad areas encompassing multiple markets. Madison Cellular Telephone Co., 2 FCC Rcd 5397 (1987). In paging, as well, it has long been recognized that "in order to compete effectively . . . paging services must be offered on an area-wide basis. . . . Indeed, the paging industry has developed independently of LATA boundary constraints." United States v. Western Electric, Civil Action No. 82-0192, Memorandum Opinion and Order, Slip. Op. at 4 (1988).

50 NPRM at 54.

3. Congress Vested the Commission with Exclusive Authority Over CMRS

Finally, preemption of state regulatory authority over CMRS/LEC interconnection would also be consistent with the Louisiana PSC decision under the theory that the amendments to Section 2(b) and 332(c)(3) promulgated in the Budget Act are intended to exclusively occupy the field of CMRS regulation. As noted in Louisiana PSC, "the best way of determining whether Congress intended the regulations of an administrative agency to displace state law is to examine the nature and scope of the authority granted by Congress to the agency."[51] The extensive preemptive measures adopted in Section 332(c)(3)(A), "notwithstanding" the states' powers under Sections 152(b) and 221(b), must be read to preclude continued state jurisdiction over CMRS entry and rates regardless of any intrastate component of the various services.[52] This clear expression of Congressional intent delegates to the Commission exclusive authority over CMRS regulatory matters.

B. The Telecommunications Act of 1996 Does Not Limit the Commission's Power to Preempt State Regulatory Authority Over LEC-CMRS Interconnection

The enactment of the Telecommunications Act of 1996 ("1996 Act"), does nothing to undermine the principles discussed above. Indeed, the contrary is true -- Congress envisions the establishment of a uniform federal policy in this area. Thus, although Sections 251 and 252 of the 1996 Act set forth new parameters applicable to

---

[51] Louisiana PSC, supra, 476 U.S. at 374.

[52] Indeed, to accentuate this point, the full Committee stated in its Conference Report that:

> "the Senate Amendment contains a technical amendment to section 2(b) of the Communications Act to clarify that the Commission has the authority to regulate commercial mobile services." (H.R. Rep. No. 103-213, 103d Cong., 1st Sess. 494, 497 (1993) (emphasis added).

interconnection, it is important to examine carefully what the 1996 Act does and does not do in this regard.

Most fundamentally, the 1996 Act does not expand the scope of state regulatory authority over the rates, terms and conditions applicable to intrastate interconnection. Whereas state regulatory commissions heretofore enjoyed largely unfettered authority over intrastate regulatory matters, the 1996 Act imposes detailed constraints and parameters on the scope of such authority. Moreover, while the states have been given an active role in arbitrating disputes between LECs and telecommunications carriers,[53] they have always played such a role. Now, their actions must also be consistent with a wide range of federal regulations to be prescribed by the Commission to implement the legislation, as required by Section 251(d):

> (1) IN GENERAL - Within 6 months after the date of enactment of the Telecommunications Act of 1996, the Commission shall complete all actions necessary to establish regulations to implement the requirements of this section.

The Commission's specific obligations under this provision are quite broad, and it is vested, for the first time, with jurisdiction over purely intrastate interconnection disputes in cases where the states do not meet their oversight responsibilities.[54] Even more significant, Congress has vested the Commission with ultimate authority over matters

---

[53] "Telecommunications carriers" are defined in Section 3(a)(49) as "any provider of telecommunications services, except that such term does not include aggregators of telecommunications services (as defined in Section 226)." Section 3(a)(51) provides that "Telecommunications service means the offering of telecommunications for a fee directly to the public, or to such classes of users as to be effectively available directly to the public, regardless of the facilities used." CMRS providers are thus classified as telecommunications carriers.

[54] Section 252(e)(5).

relating solely to intrastate interconnection. Pursuant to Section 401(a) of the 1996 Act, the Commission is required to "forbear from applying any regulation or provision of this Act" upon a proper showing.[55] Once the Commission has made this determination, Section 401(e) provides that the states "may not apply or enforce any provision of this Act. . . ." The Commission is thus empowered to preempt entirely any state authority given to those states pursuant to Section 252 if circumstances warrant. This represents a fundamental shift in jurisdiction and authority over intrastate telecommunications services away from the states and to the Federal Government. The 1996 Act thus establishes an interconnection regulatory framework under which the state authorities, serving as arbitrators, have been charged, for the time being, with the responsibility of enforcing rules which are largely to be developed by the Commission. But at the explicit direction of Congress, even this role of state regulators with regard to intrastate interconnection issues (established by Section 252) can be eliminated by the Commission.

This federally mandated scheme sets the backdrop for analyzing the 1996 Act's applicability to the issues addressed in the NPRM. As a starting point, it is noteworthy that the 1996 Act expressly does not "limit or otherwise affect the Commission's authority under section 201 [of the Communications Act]."[56] This means,

---

[55] The Commission must find that (1) enforcement of the regulation or provision is unnecessary to ensure that rates and charges are reasonable and not unjustly discriminatory (Section 401(a)(1)); (2) enforcement is not necessary for the protection of consumers (Section 401(a)(2)); and (3) forbearance is consistent with the public interest (Section 401(a)(3)). In connection with this latter factor, the Commission must consider whether forbearance will promote a competitive marketplace. (Section 401(b)). The only limitations on this forbearance requirement are set forth in Section 401(a). Specifically, the Commission may not forbear from applying Section 251(c), which prescribes certain unbundling and other interconnection requirements applicable to incumbent local exchange carriers, and Section 271, which establishes the ground rules governing Bell Operating Company entry into various services until these provisions have been fully implemented.

[56] Section 251(i).

of course, that the 1996 Act does not in any way usurp the Commission's exclusive authority to order telecommunications carriers to furnish interstate interconnection services, and to ensure that the "charges, practices, classifications, and regulations for and in connection with" such services are just and reasonable. The Commission thus retains primacy over the states in matters relating to interstate interconnection of all telecommunications service providers.

Perhaps the most critical component in this analysis, however, is the continued vitality of Section 332(c)(3) of the Communications Act, which remains unaffected by the policies adopted in the 1996 Act. This creates an important distinction between CMRS and all other "telecommunications services" as that term is defined in Section 3(a)(51) of the Communications Act. For even if the 1996 Act is interpreted as giving the states expansive authority over intrastate interconnection policies, Section 332(c)(3) continues to impose significant constraints on the scope of that authority as it pertains to CMRS. The unequivocal preemption of state regulatory authority over entry of intrastate CMRS providers must be interpreted to preclude actions by states, including those involving interconnection, that would serve to inhibit such entry. High interconnection rates certainly inhibit entry -- especially CMRS entry into local loop competition with LECs.

Any doubts regarding the validity of this concept, and its continued applicability in the newly-established federal regulatory scheme, were put to rest by Congress by the inclusion of Section 253(e) in the 1996 Act. That provision, which is found in the section dealing with "removal of barriers to entry", provides that "[n]othing in this section shall affect the application of 332(c)(3) to commercial mobile providers."[57] Congress obviously intended that the regulatory measures adopted in the 1996 Act would not in any way be construed as eliminating or minimizing the statutory changes promulgated three years ago which preempted state regulatory authority over intrastate CMRS entry and rates.[58] Section 253(e) of the 1996 Act thus reinforces the Commission's conclusion in the NPRM that "Section 332 preempts state regulation in the [interconnection] area to the extent that such regulation precludes (or effectively precludes) entry of CMRS providers.[59]

In conclusion, the Commission is correct in its assertion in the NPRM that it may preempt state regulatory authority over LEC-CMRS interconnection. Its power to do so resides in Section 332(c)(3), which preempts state authority over CMRS entry -- directly or otherwise -- and in accordance with applicable precedent, including the Louisiana PSC decision. The Commission's power to preempt the states in this manner is not curtailed in any way by the regulatory scheme adopted in the Telecommunications Act of 1996.

[57] The placement of this provision in the section dealing with removal of barriers to entry is significant. Had it been included in the interconnection section, then state actions which are unrelated to interconnection, but which impede CMRS entry, could have been considered authorized under the 1996 Act. Having placed the provision in a section of general applicability, Congress left a clear message that the 1996 Act gives the states no authority to take any actions that might impede CMRS entry.

[58] Another important provision is Section 601(c)(1), which provides that "[t]his Act and the amendments made by this Act shall not be construed to modify, impair or supersede Federal, State, or local law unless expressly so provided in such Act or amendments." Thus, the powers granted to the Commission and taken away from the states by virtue of Section 332(c)(3) remain unchanged by the 1996 Act.

[59] NPRM at 53-54.

VII. SHARING OF IXC ACCESS CHARGES

A. Sharing of Access Charges with LECs

The Commission tentatively concludes that CMRS providers should share in interstate access charges paid by interexchange carriers (IXCs) when a CMRS provider and a LEC jointly provide access service. AirTouch agrees. Currently, AirTouch does not recover through the LEC any of its costs of originating or terminating IEC traffic on its networks. Rather, we presume that the LEC retains all such access charges. This situation is both inequitable, in the sense that the LEC is reaping revenues arising from use of the CMRS network, and discriminatory, in that CMRS providers are treated differently by LECs than are neighboring LECs or CLECs.

AirTouch agrees that CMRS providers should share with LECs in access charge revenues in the same manner that the LEC currently shares with neighboring LECs or CLECs. AirTouch proposes that such existing arrangements be filed with the Commission and made publicly available,[60] and that the Commission require LECs to offer similar sharing arrangements to similarly situated CMRS providers.

B. Direct Connections

While direct connections between CMRS providers and IECs are certainly the exception, rather than the norm today, such arrangements are expected to become

[60] AirTouch acknowledges that, just as with LEC-CMRS interconnection agreements, there may be the need to protect certain confidential information in such LEC-LEC sharing arrangements from public disclosure.

more prevalent as the number of CMRS customers that an IXC can access directly increases. In fact, unless LECs are required to share access revenues with CMRS providers, IXCs and CMRS providers may find it more financially advantageous to directly connect, even when it is not more technically efficient to do so.

The Commission should allow such direct interconnection arrangements to be privately negotiated without Commission intervention. Since neither the CMRS provider nor the IXC presumably possess market power that could be used as leverage in such negotiations, both parties have incentives to negotiate mutually beneficial access arrangements.

VIII. APPLICATION OF PROPOSALS

A. Apply Bill and Keep Policies Equally to All Broadband CMRS

The Commission must apply the policies adopted in this proceeding equally to all broadband CMRS providers. Such equal treatment is compelled by both Budget Act parity directives and sound economic theory.

The Budget Act classification of CMRS was designed to ensure that similar services are accorded similar regulatory treatment.[61] PCS and cellular carriers will be direct competitors for traditional mobile customers and both types of carriers will seek to enter the local loop market in competition with LECs and CLECs. Not only would disparate treatment of such carriers with respect to LEC interconnection be contrary to the Budget Act and Section 201 of the Communications Act, but it would undermine achievement of the Commission's goals in this proceeding of promoting competition among telecommunications providers and benefiting consumers through the development of a "network of networks."

Attempting to distinguish between categories of broadband CMRS with respect to interconnection policies is also economically unsound. Given that PCS and cellular are substitutable services and that interconnection costs are a significant input for both types of carriers, the full efficiency benefits of competition between them will be realized only if they have equal opportunities to obtain cost-based interconnection from LECs. Both

[61] See, e.g., *Second CMRS Report and* Order, 9 FCC Rcd 1411, 1417-19 (1994).

PCS and cellular carriers are investing heavily in digital technologies to enable them to enter local loop competition. Neither can afford to be handicapped relative to incumbent LECs or each other. The financial results of cellular carriers also reflect years of interconnection overcharges at the hands of LECs. The existence of such unfair LEC-cellular interconnection arrangements should stimulate, rather than impede, the Commission to adopt interim bill and keep for all broadband CMRS-LEC interconnection.

B. Narrowband CMRS Interconnection Arrangements Demonstrate LEC Market Power

Narrowband CMRS providers have been unable to negotiate fair and economic interconnection arrangements with LECs. Paging networks provide the same switching and transport capabilities of other telecommunications carriers in order to deliver traffic to their subscribers, and provide the benefits that interconnectivity provides. Unlike broadband CMRS systems, narrowband CMRS systems are not capable of mutual exchange of traffic because they are not suitable for real-time voice traffic. The messaging technology of paging and other narrowband services is inherently a terminating capability.

By the LECs' own logic regarding the importance of traffic flows in resisting bill and keep for broadband CMRS, LECs should be paying narrowband CMRS providers to terminate traffic. That is, all interconnection charges should flow from LECs to narrowband CMRS providers. LEC benefits also accrue from the fact that a paging message generally triggers a call back to a LEC customer, thus stimulating additional usage and revenue to the LECs from the existence of paging networks.

Yet, LECs demand payment for the ability of narrowband CMRS customers to terminate LEC-originated traffic. Narrowband CMRS carriers have not choice but to pay those charges because interconnection is a condition of entry. Unless the Federal Communications Commission intervenes, narrowband CMRS providers will continue to suffer from LEC abuses of their power.

IX. CONCLUSION

The Commission's overall goal in setting a LEC-CMRS interconnection policy is to maximize the total social benefits derived from telecommunications. This will occur only if: (1) telecommunications services are priced at efficient, cost-based levels, and (2) meaningful competition develops in all segments of the telecommunications sector. Efficient pricing of interconnection services is an essential prerequisite to the satisfaction of either of these conditions. Inappropriately high LEC-CMRS interconnection charges will distort end-user prices, reduce the extent to which a true network of networks develops, and slow the emergence of wireless competition in the provision of local loop services. For all of the important reasons discussed above, it is in the public interest for the Commission to require, on an interim basis, "bill and keep" interconnection arrangements between CMRS providers and LECs for all CMRS traffic.

Respectfully submitted,

David A. Gross

David A. Gross
Kathleen Q. Abernathy
AirTouch Communications, Inc.
1818 N Street, N.W., Suite 800
Washington, D.C. 20036
202-293-3800

Michael Mowery
Pamela Riley
AirTouch Communications, Inc.
One California Street
San Francisco, CA 94111
415-658-2000

APPENDIX A

PAST AIRTOUCH-LEC NEGOTIATIONS

A. Georgia Experiences

BellSouth Telecommunications, Inc. has consistently pursued a strategy of requiring all cellular carriers to accept the same interconnection terms, with no recognition of differing arrangements that could affect interconnection costs. This strategy was manifest in the following actions:

- It is AirTouch's understanding that until mid-1990 BellSouth would not negotiate interconnection arrangements with other cellular carriers, but simply insisted upon contracts identical to AirTouch's agreement, including expiration dates that were the same as the initial term of AirTouch's agreement. When AirTouch exercised its option to extend the term of its interconnection agreement and other cellular carriers did not, BellSouth commenced mass negotiations with all carriers, in which BellSouth was adamant that it would not consider a different interconnection agreement for an individual cellular carrier, no matter how unique its circumstances.
- BellSouth then announced that it would offer either of two rate structures, at the election of the cellular industry, but that whichever was selected would apply to all cellular carriers. One rate structure, based upon a lower rate for calls terminating within the BellSouth local calling area of the interconnection point and a higher rate for calls terminating elsewhere in the LATA, was more favorable for the geographically enormous Atlanta market served by AirTouch and BellSouth Mobility; while the other rate structure, a single blended rate for all calls terminating within the LATA, was more

favorable for most other carriers. After securing the agreement of all Georgia cellular carriers, except AirTouch, to a LATA-wide rate structure that reduced interconnection costs outside Atlanta but inflated the cost of interconnection for much higher traffic volumes in the Atlanta market, BellSouth asked the GPSC in mid-1991 to approve the proposed contracts with the other carriers and to "order that the new contract shall constitute the terms, conditions, rates and charges for interconnection with Southern Bell's public switched network *for every cellular carrier in Georgia, including . . . [Air-Touch] Cellular.*" Faced with expressions of opposition from many of the other cellular carriers (whose rate reductions were delayed by AirTouch's resistance to BellSouth's tactics), AirTouch capitulated rather than undertake an uphill battle just to establish its right to negotiate an interconnection rate based upon its circumstances. BellSouth also refused to discuss rates that were based in any way upon cellular traffic patterns, rather than the average traffic on its network. For example, although several carriers (including BellSouth Mobility) stated that their traffic mix was about equally on-peak and off-peak, BellSouth insisted that the interconnection rate be based upon 89% on-peak and 11% off-peak because that was the general pattern of its WATS traffic, refusing to consider the use of a "customer-specific" traffic mix. BellSouth also refused to discuss a blended, LATA-wide rate based upon any traffic mix other than 80% local and 20% toll without a regulatory determination that another ratio must be used.

- Again in 1994, BellSouth refused to implement any interconnection agreement until all wireless carriers agreed to the same terms. In order to further discourage holdouts, it proposed to file a tariff once it reached agreement with most carriers, thus supposedly expediting a reduction of rates it had offered for all, even if some carriers wanted to continue to negotiate for a more reasonable interconnection rate. Virtually all wireless carriers agreed that a tariff would be preferable to lengthy delays.

During all three negotiations with BellSouth, wireless carriers attempted to assert their rights to mutual compensation under the FCC's policies.[1] BellSouth argued that the FCC's mutual compensation policy could only apply to the small amount of interstate traffic originated by BellSouth and interchanged directly with a wireless carrier, without involving an IXC. In any event, BellSouth consistently refused to negotiate intrastate interconnection rates unless all wireless carriers waived any right to mutual compensation, including for interstate traffic. BellSouth's 1994 Georgia mobile interconnection tariff explicitly covers, and includes non-mutual charges for, interstate intraLATA mobile-to-land traffic.

B. California Experiences

In California, AirTouch has experienced similar anticompetitive pricing and tactics in negotiating interconnection contracts with the local exchange carriers. Prior to its most recent negotiations with AirTouch, Pacific Bell petitioned the CPUC to permit tariffing of interconnection, and proposed new rates that would increase interconnection by as much as fifteen percent. Pacific's proposed tariff, as well as one filed by GTE, have yet to be approved by the CPUC. Among the many problems with Pacific Bell's proposed tariff are anticompetitive provisions which would:

- prohibit a wireless carrier from providing its customers with any costs savings that may be available if customers are routed to a limited number of carriers;

[1] The position of these carriers was weakened, however, by a few LEC-affiliated cellular carriers who did not want to assert their full co-carrier rights in negotiations with BellSouth.

- condition routing of call competition traffic to Directory Assistance on an agreement by the wireless carrier not to handle such calls itself nor send them to Pacific Bell's competitors; and
- prohibit a wireless carrier from engineering its network at any grade of service other than a one percent level of blocking, notwithstanding the fact that a carrier may choose to differentiate itself by providing higher quality or lower prices than Pacific Bell's preferred approach.

GTE's proposed tariff does not provide for volume discounts or other financial incentives for wireless carriers to provide efficient interconnection, thus excluding provisions in place in interconnection contracts today. Anticompetitive provisions also appear such as some prohibiting a wireless carrier from providing its customers with any costs savings that may be available if all customers are routed to a limited number of long distance carriers.

Pending final resolution of these tariffs by the CPUC, AirTouch signed new contracts with both PacBell and GTE, containing some decreases from those rates that AirTouch had been paying, but still at levels well above the long run incremental cost of terminating cellular calls. Neither contract incorporates deaveraging of rates across the state, nor land-to-mobile traffic compensation.

Pacific Bell and GTE were required by the CPUC to file cost support for their proposed interconnection tariffs. Pacific Bell's study was examined by the accounting firm of Ernst & Young on behalf of the Cellular Carriers Association of California, pursuant to a nondisclosure agreement. In its summary report, Ernst & Young identified two critical flaws in the logic and methods used by Pacific Bell to derive their charges, resulting in inflated rates. The first flaw was to use business MTS as a starting point for the development of cellular interconnection costs. The second was to use a cost allocation methodology that includes costs not directly caused by the interconnection of cellular traffic. The same assumptions presumably provide Pacific's cost basis for the rates AirTouch is paying under contract today.

The use of business MTS costs as a surrogate for the development of cellular interconnection costs is inappropriate because business MTS traffic, facility usage, and customer service characteristics do not bear a resemblance to the characteristics of providing cellular interconnection service. Business MTS is provided entirely through the local exchange network, whereas cellular interconnection (at least in a Type 2A scenario) is a trunk-side service in which dialing and customer recording time are accomplished prior to delivery to the local exchange network. Also cellular traffic is less "peaked" than business MTS, and call completion ratios are lower. Finally, back-office costs for business MTS are much higher than those to support cellular interconnection, including billing support, customer care expense, marketing, and rate development for the direct delivery of these services. The result of linking cellular interconnection rates to business MTS is higher cost assignments for non-investment related expenses.

The CPUC requires PacBell to develop its cellular interconnection charges based upon a direct embedded cost methodology. Pacific Bell's cost study was not a true direct embedded cost methodology, in that it included costs which are not related to the provision of cellular interconnection. Among the factors improperly considered are broad allocations for legal, planning, marketing, training and education, human resources, corporate and general accounting and others only tenuously related to provision of cellular interconnection. Furthermore, as explained in Section III.A.2.a. above, use of a direct imbedded cost methodology is inconsistent with efficient pricing of interconnection between co-carriers.

AirTouch recently began discussions with MFS Intelenet of California, Inc., a newly certificated CLEC in California, regarding a possible interconnection arrangement. MFS and Pacific Bell have entered into an interconnection arrangement that provides for reciprocal compensation for local traffic at a rate of 0.75¢ per minute. However, MFS informed AirTouch that, pursuant to its contract with PacBell, this rate would not apply to AirTouch traffic (or the traffic of any other carrier) that MFS sought to complete over PacBell facilities. Rather, PacBell's switched access rates would apply. This distinction, which has no basis in cost, creates a disincentive for a CMRS provider and a CLEC to negotiate their own direct interconnection arrangement.

APPENDIX B

LEC-AIRTOUCH INTERCONNECTION DIAGRAMS

(attached)

AirTouch™
Communications

Cellular Interconnection

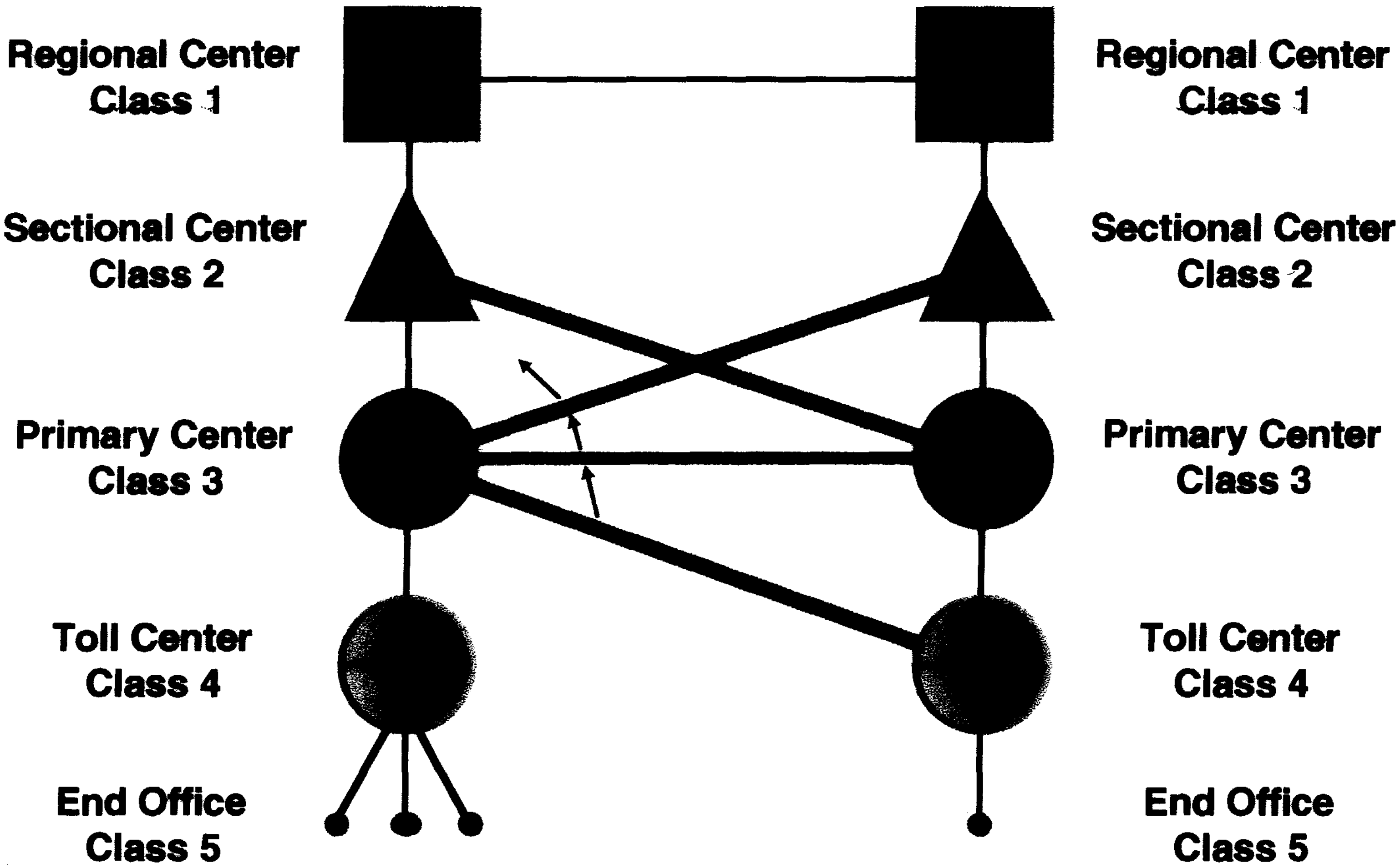
Greg Tedesco

Manager, Interconnect & Numbering Programs

Wireless Engineering & Operations Department

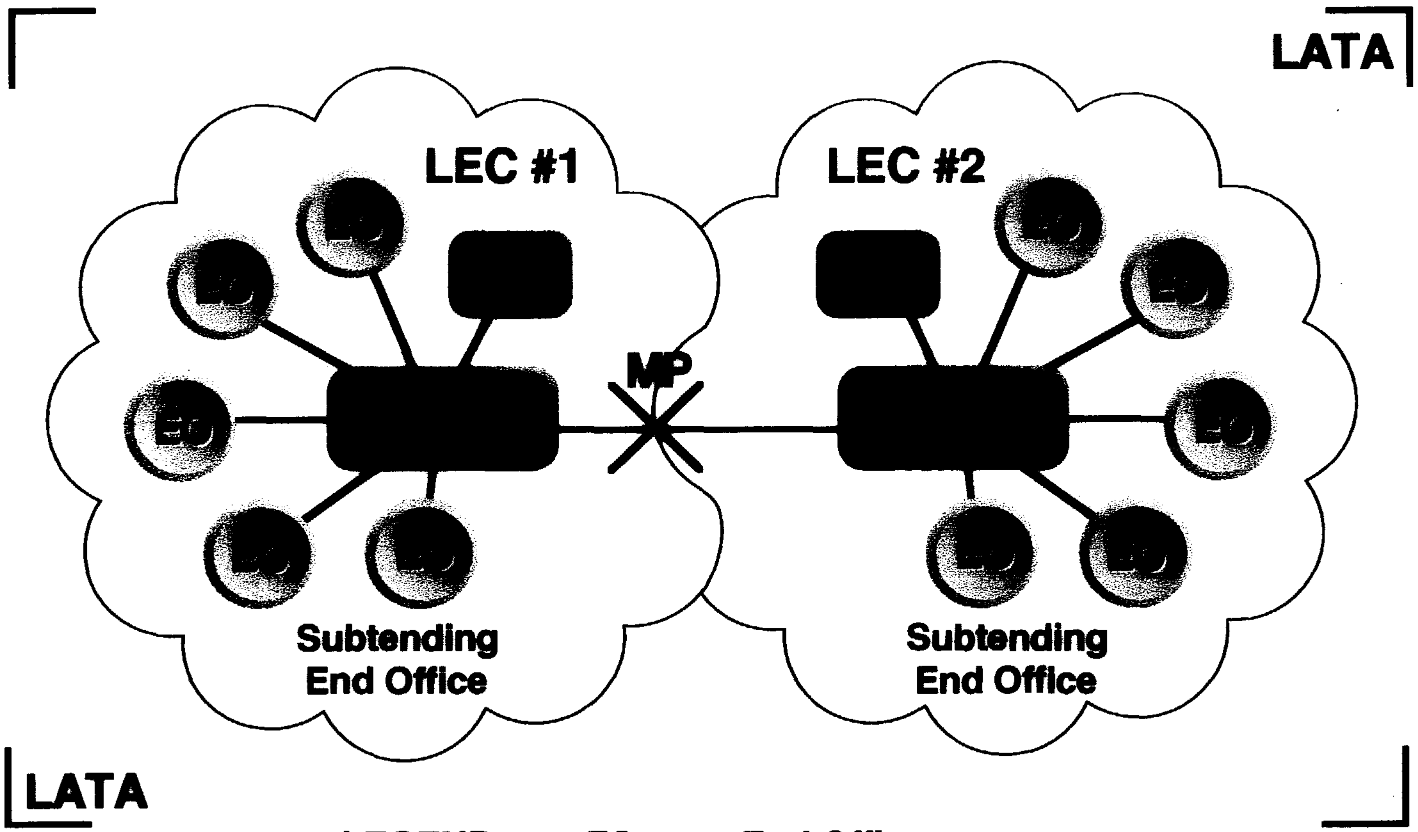
February 29, 1996

The Pre-Divestiture Network...



...Did Not Account For Competition

Public Switched Telephone Network (PSTN)



LEGEND:

EO	=	End Office
IC	=	InterLATA Carrier
MP	=	Meet Point
LEC	=	Local Exchange Carrier

Cellular Mobile Carrier to Local Exchange Carrier (LEC) Switched Interconnection Configurations

Type 1, Type 2A and Type 2B